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SUBJECT: BUDGET TRANSPARENCY IN TAJIKISTAN

REF: STATE 1923

¶1. (U) Following are post's responses to reftel regarding transparency of the government of Tajikistan's central budget.

-- Is the central government expected to receive funding under the FY 2010 SFOAA?

¶2. (SBU) Yes. The U.S. government is expected to provide assistance to the central government of Tajikistan from several sources: FMF and IMET (administered by the Embassy Dushanbe's Office of Defense Cooperation), NADR-EXBS (administered by the Embassy's Export Control and Related Border Security Program), and NADR-ATA (administered by Diplomatic Security). In addition, some AEECA funding INL and USAID is intended to support the central government.

-- Is the host country's annual national budget publicly available?

¶3. (SBU) Yes, but not in detail. The Russian version of the publicly available 2010 budget is 13 pages and only includes revenue and expenditures at the highest level of aggregation. Only fourteen broad expenditure categories are listed, including "government operations," "agriculture, land use, and water," and "mining, mineral processing, and construction." The final two categories are "other services and sectors" and "other expenditures." On the income side, just three sources are itemized: taxes, non-tax proceeds, and grants for budget support (i.e., from international organizations). Much of the budget is occupied by tables prescribing how funds are to be allocated regionally.

-- Are incomes and expenditures included in the publicly-available budget?

¶4. (SBU) Given the small size and generality of the published budget, a great deal about government operations remains unknown. This not only includes information about government spending at levels more specific than the very broad categories mentioned above, but also the budgets of a host of other government institutions. For example, the budgets of major state-owned companies, such as the Talco aluminum company, which is allegedly the government's biggest revenue earner, and the national electricity grid operator, are not publicly available.

¶5. (SBU) In addition, there is also substantial reason to believe that much of the government's operations are entirely off-budget, and operate in a gray area governed by corruption and opaque rules. For example, the recently completed presidential palace was alleged to have cost \$300 million, but there is no accounting for it in the budget. (The government claims the palace cost only \$80 million. Even that amount is not in the budget, however.) Likewise, there is reason to believe that revenue from Talco and other state enterprises ends up in the pockets of the ruling elite, a proposition that is difficult to confirm because the finances of these state

institutions are not available.

-- What is post's assessment of the extent to which the publicly-available budget accurately reflects actual government incomes and expenditures?

¶16. (SBU) The publicly-available budget may reflect some aspects of government operations at the highest levels of aggregation, but, in light of the concerns noted above, there are clearly very broad areas that remain opaque.

-- Have there been any events since the 2009 review that may have affected fiscal transparency (e.g., a coup)?

¶17. (U) See paragraph 8.

-- Since last year's review, what efforts has the host government undertaken to improve fiscal transparency? What progress has been made, pursuant to the 2009 demarches on the subject?

¶18. (SBU) Until recently the government appeared to be on a path toward more fiscal transparency. Several efforts were underway to provide more detailed information on spending, for example. So far, however, we have seen no results. Things may in fact be getting worse. A recent government campaign to coerce Tajik citizens into buying shares in the Roghun hydroelectric project raises even more concerns about budget transparency (to say nothing of human rights), since there has been very little mention of how these funds will be kept, spent, and accounted for.

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